

Message Text

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PAGE 01 BRASIL 10069 201233Z

53

ACTION SS-15

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FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 2612

C O N F I D E N T I A L BRASILIA 10069

E.O. 11652: GDS

TAGS: MASS BR

SUBJECT: MUNITIONS CONTROL AND AGENTS FEES

REF: STATE 255260

1. WE SEE THREE BASIC CONSIDERATIONS SHAPING ATTITUDE OF BRAZILIAN MILITARY TOWARD OVERALL PROBLEM DISCUSSED IN REFTEL:

(1) TOP LEVELS OF MILITARY STILL COMMITTED TO COMBATTING CORRUPT PRACTICES THROUGH GOVERNMENT, AS ETHIC OF 1964 REVOLUTION DEMANDS, AND CORRUPTION IN MILITARY ITSELF IS NO EXCEPTION;
(2) AT TIME OF RISING COSTS AND DIMINISHING FOREIGN EXCHANGE AVAILABILITY, MILITARY KEENLY INTERESTED IN GETTING MOST IN PURCHASES FOR DOLLARS SPENT; (3) MILITARY REMAINS DETERMINED TO PRESERVE ITS INSTITUTIONAL IMMUNITY FROM CLOSE PUBLIC SCRUTINY AND MAINTAIN CONFIDENTIALITY OF ITS INTERNAL POLICING AND DISCIPLINARY PROBLEMS.

2. IN LIGHT OF CONSIDERATIONS (1) AND (2) ABOVE, PROCEDURE DESCRIBED IN PARAGRAPH 4 OF REFTEL WOULD BE ACCEPTABLE TO PRESENT MILITARY-DOMINATED BRAZILIAN GOVERNMENT IN THAT IT WOULD PROVIDE NECESSARY LEADS FOR THEIR OWN INVESTIGATION AND DETERMINATION WHETHER FEES WERE CORRECT OR JUSTIFIED. AS WE UNDERSTAND ITAR PROCEDURE, IT WOULD HAVE ADDITIONAL ADVANTAGE (IN BRAZILIAN AYES) OF NOT MAKING EXISTENCE OF FEES THEMSELVES OR THEIR AMOUNT PUBLIC KNOWLEDGE. IF, AS REFTEL SUGGESTS IN PARA 5, THERE ARE
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PAGE 02 BRASIL 10069 201233Z

STRONG INDUSTRY OBJECTIONS TO REQUIREMENT TO DISCLOSE OF AMOUNT

OF AGENT'S FEES, BRAZILIANS WOULD PROBABLY BE SATISFIED WITH SIMPLE DISCLOSURE THAT SPECIFIC FIRM HAD RECEIVED FEE, EVEN THOUGH AMOUNT UNSPECIFIED. BRAZILIANS HAVE AMPLE INVESTIGATORY MEANS TO FOLLOW UP AND GET NECESSARY DETAILS IF THEY CHOOSE.

3. NEW DOD PROCUREMENT REGULATIONS (ASPR) MAY PRESENT GREATER PROBLEM. WHILE REGULATION NOW IN EFFECT, WE STILL HAVE NO EXPERIENCE OF BRAZILIAN REACTION SO FAR SINCE NO SALES HAVE BEEN MADE UNDER NEW ARRANGEMENT. WHILE BRAZILIAN MILITARY UNLIKELY ON PRINCIPLE TO BE AGAIN T PROVISION OF INFORMATION ON AGENT'S FEES IN CONNECTION WITH FMS, THEY MAY BE SOMEWHAT UNCOMFORTABLE WITH PROCEDURE DESCRIBED IN PARAGRAPH 3 WHICH ENTAILS WRITTEN DOD JUDGMENT ON REASONABLENESS OF FEE AND WHICH APPENDS POTENTIALLY SENSITIVE INFORMATION ON FEES TO LETTER OF OFFER, WHICH I DOCU-
MENT THAT MAYBE RELEASED TO PUBLIC. BRAZILIAN MILITARY AND ASSOCIATED CIVILIAN OFFICIALS WOULD PROBABLY PREFER ESSENTIALLY SAME INFORMATION TO BE DELIVERED IN LESS FORMAL WAY AND WITH GREATER ASSURANCE OF CONFIDENTIALITY.
CRIMMINS

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